

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric  
Company (U 902 M) for Approval of  
The SDG&E Solar Energy Project

Application 08-07-017  
(Filed July 11, 2008)

**RESPONSE OF THE CITY OF SAN DIEGO**

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Date: August 8, 2009

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Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedures, the City of San Diego (City) submits this response to the Application of San Diego Gas & Electric (SDG&E) for approval of its Solar Energy Project, filed on July 11, 2008.

**I. Background**

In its application, SDG&E is requesting authorization "to spend up to \$250 million to build, own, maintain and operate up to 52 MW<sub>dc</sub> of utility-owned solar photovoltaic generating facilities of approximately 1 to 2 MW<sub>ac</sub> each from 2009 through 2013."<sup>1</sup> In addition, SDG&E "further expects that the opportunities the SDG&E Solar Energy Project will create for customers to co-construct solar PV facilities with SDG&E under this proposal may result in the installation of up to an additional 25 MW<sub>dc</sub> of capacity under the California Solar Initiative ("CSI") that would not have otherwise

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<sup>1</sup> SDG&E Application at 4.

been built.”<sup>2</sup> In his testimony, Mr. Thomas indicates that “SDG&E expects the installed direct capital cost will be in the range of \$4,000/kWdc - \$7,000/kWdc.”<sup>3</sup> In his testimony, Mr. Yunker also indicates that SDG&E is requesting an additional 1 percent return, over and above its authorized rate of return on its investment in these projects: “The return on rate base in the SDG&E Solar Energy Project revenue requirements is calculated by multiplying the SDG&E Solar Energy Project average rate base for each year by a Rate of Return (“RoR”) of 9.4%. The 9.4% RoR includes SDG&E’s currently authorized RoR of 8.4% incorporating an additional 100 basis point incentive for renewable ownership.”<sup>4</sup>

## **II. Potential Issues**

The City applauds SDG&E’s efforts to develop in-area renewable resources. The City also supports the development of the least-cost renewable resources, whether undertaken by the utility, customers, or third-party owners.

The City believes that SDG&E’s application should be approved only to the extent that SDG&E demonstrates that this proposal represents the least costly in-area renewable alternative and that ratepayer risks associated with potential cost-overruns

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<sup>2</sup> SDG&E Application at 4.

<sup>3</sup> Prepared Direct Testimony of Frank W. Thomas and Thomas O. Bialek, A. 08-07-017, July 11, 2008 at II-24.

<sup>4</sup> Prepared Direct Testimony of Christopher F. Yunker, A. 08-07-017, July 11, 2008 at III-6.

are limited. It is not clear from the Application that SDG&E's proposed program represents the least-cost/best-fit renewable resource option in the SDG&E load area. Since the City is, in aggregate, SDG&E's second-largest customer, the City believes that rate impacts associated with SDG&E's proposed project must be balanced against the increased level of renewable generation in the area. The City is concerned that SDG&E's proposal may not represent the least-cost in-area renewable alternative, and may not sufficiently limit ratepayers' risks for potential future operation and maintenance costs and potential cost overruns.

Southern California Edison recently proposed a similar program for its service territory, the Solar Photovoltaic Program (SPVP). The City believes that the issues contained in the scoping memo for that proceeding are sufficiently inclusive to guide this proceeding.<sup>5</sup> These include two broad issues:

1. Whether to approve the proposed project and funding either as proposed in the application or with modifications.
2. Whether to approve the proposed cost recovery mechanism and the proposed rate of return.

In addition, to reduce ratepayer risk and to ensure a level playing field with respect to payments to customers and others for the installation of similar PV measures outside of SDG&E's proposed program, the Commission should consider whether it

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<sup>5</sup> Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, A. 08-03-015, July 25, 2008.

would be appropriate to compensate SDG&E and others with a feed-in tariff, rather than under cost-of-service ratemaking as proposed by SDG&E.

### **III. Categorization**

The City agrees with SDG&E's proposal that this proceeding be categorized as a "rate-setting" proceeding.

### **IV. Recommended Schedule**

The City recommends that this proceeding be staggered to follow the SCE proceeding, A.08-03-015, given that parties are likely further along in the discovery process in that proceeding. Accordingly, the City recommends that the hearings in this case, which SDG&E has proposed for October 20-24, 2008, be scheduled to occur after the SCE hearings, which have been scheduled for November 3-6, 2008.

### **V. Conclusion**

The City appreciates SDG&E's efforts to increase in-area renewable generation, but the City is concerned that SDG&E's proposal may not represent the least-cost in-area renewable alternative and may not sufficiently limit ratepayer risks for potential future O&M costs and/or potential cost over-runs. The City intends to be an active participant in this proceeding and looks forward to working with the other parties and the Commission to ensure that the SDG&E procures the most cost-effective in-area renewable generation and limits ratepayers' potential risks.

Date: August 8, 2008

Respectfully submitted,

By:   
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**CERTIFICATE OF SERVICE**

I, Sonia Castro, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On August 8, 2008 I served the attached:

**COMMENTS OF THE CITY OF SAN DIEGO**

on all eligible parties on the attached lists **A.08-07-017** by sending said document by electronic mail to each of the parties via electronic mail, as reflected on the attached Service List.

Executed this August 8, 2008, at San Diego, California.

A handwritten signature in black ink, appearing to read "Sonia Castro", written over a horizontal line.

Sonia Castro  
Legal Secretary

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A-08-07-017

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